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UNCLAS SECTION 01 OF 03 CHIANG MAI 000214

SIPDIS

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SUBJECT: CORRECTED COPY: THAI-CHINESE TRADE TALKS AIM HIGH - SOME
SAY TOO HIGH

REF: A) CHENGDU 527 B) CHENGDU 526 C) CHIANG MAI (04) 218

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Corrected Copy (adding addressee)

11. Summary. Thai and Chinese officials charted an ambitious five-year "strategic economic partnership" during the Second Meeting of the Joint Committee on Trade, Investment and Economic Cooperation in Chiang Mai September 21-23. While news accounts headlined "Chinese investment to surge", some warned against tilting too much toward China and questioned whether the large growth targets are viable. End summary

12. Thai Deputy Prime Minister and Minister of Commerce Somkid Jatusripitak and Chinese Vice Premier Wu Yi signed an agreement September 22 to two-way tourism to four million visitors, all by 2010. Most of the agreements were pre-arranged, with the official events providing a high-profile setting for Prime Minister Thaksin Shinawatra to promote Th

13. The Chinese Vice Premier's highly anticipated visit coincided with Chiang Mai's second major flood of the season, somewhat wounding the image wanted to convey. As military trucks transported participants to the flood-water-encircled Sheraton Hotel, a series of discussions and meetings drew the Thai Ministers of Commerce, Transport and Agriculture

Chinese Delegation

14. Chinese officials included Deputy Premier Wu Yi, Minister of Commerce Bo Xilai, Minister Wang Zhongfu of the State Administration for Indus

15. According to Thai statistics, China currently ranks as Thailand's third largest trade partner after the U.S. and Japan, taking about 7.6 percent of total Thai exports. In January 2005, Thailand held eleventh place among China's trade partners, supplying 2.11 percent of total Chinese imports. Thailand exports computers and accessories, plastic beads used in making plastic products, natural rubber, chemical products, and tapioca to China. China exports electrical equipment, computers, metal and steel, machinery and chemical products to Thailand. In 2004, Thailand ran a trade deficit with China of US \$1.027 billion, rising to US \$1.572 billion in the first half of 2005.

"Snuggling up to China"

16. Despite overall enthusiasm for increased trade and investment, some Thai media pointed out that Thailand is at a disadvantage in dealing with trade agreements with China? The English-language "Nation" warned that "establishing closer relations with China is important, yet it should not be done in such a way that harms Thailand's overall relat

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17. One prominent local businessman who attended the business discussions labeled the goal of increasing trade an average of \$7 billion per year "not believable." As the owner of a rice mill in Chiang Rai and Chairman of the Upper Northern Chambers of Commerce Committee, Anan criticized the Thai government as "unaware" of what happens in China, pointing out that Chinese importers and distributors mix Thai fragrant rice quality on the Thai exporters. He also noted that the world market price of rice is lower than the artificial price set by the Thai government; Chinese importers are unlikely to buy Thai rice unless the

18. As the high level officials touted increased investment, trade and tourism, no one mentioned the inconveniently mixed record of the bilateral trade. Both sides claim to have gotten the short end of the two-year-old agreement: the Chinese Consul General in Chiang Mai minced no words in telling the President of Rachamangala University of Technology, in an unrelated conversation with the U.S. CG several days after the trade summit, that the new trade agreements were likely to make the situation worse, he observed.

Fast Track Handling for Agricultural Products

19. As part of the September 22 agreements, China agreed to boost Thai agricultural exports by providing "fast track" handling for Thai agricultural products in Tianjin, Beijing, Shanghai and Guangzhou. Notably for local boosters, nothing was said about the rice market in Asia.)

110. While acknowledging that high Thai expectations for win-win deals with China might be unrealistic, Chiang Mai Chamber of Commerce member

111. Comment: By arranging for high profile trade, investment, and economic talks in Chiang Mai, Prime Minister Thaksin was able to combine several cherished goals: positioning Thailand as an ASEAN hometown. Although some business people and media raised questions about the wisdom of Thailand becoming too dependent on the huge power to the north, their voices were submerged in the flood of offic

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